



**Energy and Technology Committee
Testimony – March 15, 2012**

Support for Amending SB 333, AAC the Membership of the Connecticut Resources Recovery Authority

Good afternoon, Chairman Nardello and Chairman Fonfara. My name is Brian Anderson. I am the lobbyist for Council 4 AFSCME, a union of 35,000 public and private employee members.

I am here to testify in favor of amending SB333, AAC the Membership of the Connecticut Resources Recovery Authority. We commend the Energy and Technology Committee for looking into the governance of CRRA. It is badly in need of examination. We ask you to consider amending the bill so that the president of the CRRA is appointed by the governor and approved by the state legislature.

We suggest this because CRRA continues to exhibit a poor track record of stewarding the rate payers' resources and continues to be less than forthcoming in what it tells the legislature and the public. The latest CRRA blunder is the recent privatization of the Mid-Connecticut Project. Though this privatization is only months old it would seem to already be yielding a disaster. At a recent CRRA meeting, CRRA President Tom Kirk spoke of shutting down the facility and simply using the space as a transfer station to send waste out of state. We warned the CRRA board and the legislature prior to this privatization that the Mid-Connecticut Project was not appropriate for privatization. It is too complex and too important to turn over to a Japanese subsidiary corporation with no track record of running such facilities. This facility is valued at about \$1 billion. Now, CRRA is poised to throw that value away. Such a move will have the effect of increasing municipal tipping fees.

This follows a pattern of what appears to be incompetence and obfuscation by CRRA's management. Mr. Kirk has told the legislature and the public that this privatization would keep the Mid-CT Project up and running well. Obviously this is not the case. Sadly, this follows a pattern.

We have submitted documents chronicling CRRA's poor management and reporting

practices. CRRA has made statements to the General Assembly that have been proven to be patently untrue. Mr. Kirk wrote to the General Assembly that "No one will lose a job..." as a result of his privatization of the Mid-Connecticut Project's operation. Our union explained to Mr. Kirk how it would and Mr. Kirk did not argue with our explanation, knowing full well that layoffs would result. But this did not stop him from giving incorrect information to the legislature. We have submitted a copy of this letter. CRRA staff also told legislators that workers at the Mid-CT Project would be paid the same and receive comparable benefits as the MDC workers had. The pay and benefits are lesser.

Mr. Kirk testified explicitly that he opposed privatization at the Mid-Connecticut Project at a Legislative and Program Review Committee hearing in September, 2008. He said repeatedly at the hearing that he opposes the privatization of this facility, including saying "With private control, a supply-constrained market will allow Connecticut capacity to be used for other states' waste, leaving Connecticut consumers dependent upon and paying more to ship their waste to environmentally less desirable landfills hundreds of miles to the west."

Mr. Kirk then acted directly opposite to what he told the legislature. Mr. Kirk signed a contract to privatize the operation and management of the Mid-Connecticut Project to NAES a Japanese corporation's subsidiary last December. NAES has never run a Refuse Derived Fuel plant, such as the Mid-CT Project, before. The only trash to energy plant that it has ever run was in Oklahoma. It stopped operating the plant in less than two years time, after which the operation was given over to Covanta corporation. Two year ago the CRRA let two of the four resource recovery facilities, that it was supposed to control, slip into private ownership. Last year the CRRA announced that it will transfer ownership of the Lisbon waste to energy plant to the Covanta corporation in 2015. Now, due to CRRA's action or inaction, two private corporations with troubled histories run most of Connecticut's resources recovery infrastructure. CRRA has privatized out the ownership or management of three of its four facilities, yet it still maintains an over 50 member staff. This is very close to the size of the staff when it was actually managing the facilities that it privatized out.

After having repeatedly asked, including before committees of the General Assembly for Mr. Kirk to publicly report on what his annual pay, perks and benefits are, we still have not received a discernible answer. Though CRRA claims that it is a "quasi-public agency," its enabling legislation clearly shows that it is an entity of state government. CRRA appears to operate, as a government agency, in secret. It is more than time to rein it in.

and southern Connecticut. As you can read in a comprehensive memo to the CRRA board posted on our website (at <http://bit.ly/eQo7F2>), this process was meticulously thorough and fair. The new contract, recently adopted and now in effect, when coupled with replacement of additional expiring agreements, results in approximately \$120 million in savings for cities, towns and their citizens over 15 years of operation. CRRA will be able to reduce trash disposal fees, currently \$69 per ton, by as much as 10 percent or even more.

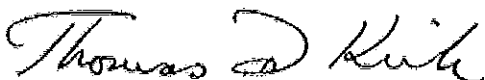
This is how public contracting is supposed to work: Attract a wide spectrum of bidders, thoroughly scrutinize proposals, select the bidder that will provide the best service at the lowest cost, and, importantly, demonstrate to the public in a transparent, open manner how the results were determined.

Regrettably, AFSCME is severely mischaracterizing this competitive process and its results. It is important that you know the facts:

- CRRA has owned and managed the Mid-Connecticut facility since it opened in 1988 and will continue to own and manage it after this contractor replacement. The facility is presently operated for CRRA by a number of contractors including Covanta Energy Corporation, which runs the power generation facilities, and the Metropolitan District Commission, which runs the waste processing facility. Referring to a change of contractors as privatization is nonsensical.
- Each employee of the present contractors is guaranteed a job at his or her same salary with the new contractor. No one will lose a job as a result of our changing contractors.
- The CRRA Board of Directors does not dissolve at the change of administrations. Its 11 volunteer members are appointed by legislative leadership and the governor to four-year staggered terms. Our competitive process to select a new contractor was made according to a schedule determined by the needs of the facility and the expiration of the existing contract.

It is discouraging to hear AFSCME continually misrepresent the facts about CRRA and its board, employees and statutorily-mandated responsibilities. I am available to meet with you at your convenience to discuss this issue or any other CRRA or waste and recycling issue. Please don't hesitate to contact me if you have any questions. Thank You.

Sincerely,



Thomas D. Kirk, President
CRRA

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January 11, 2011
letter sent to members
of the CT General
Assembly.

Thirty Council 4 AFSCME
members have been laid
off by this privatization

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THE MISSING EARTH-MOVER: BEYOND PILFERING PENS * TRASH AGENCY APPARENTLY ISN'T KEEPING A CLOSE EYE ON ASSETS

Anonymous. *Hartford Courant* [Hartford, Conn] 18 Feb 2010: .13.

Abstract (summary) Translate [unavailable for this document]

According to a story first reported by The Courant's Jon Lender, the stolen equipment included a nearly new \$29,000 Bobcat S205 Skid-Steer loader, purchased in May 2009 by the CRRA, along with related equipment: an \$8,100 backhoe attachment, a \$3,200 auger...

Full Text

The Connecticut Resources Recovery Authority is obviously not vigilant enough in protecting the assets provided by ratepayers.

Sometime last October, \$45,000 of earth-moving machinery belonging to the quasi-public trash-disposal agency was taken from its property in Hartford to Massachusetts, advertised on craigslist and then sold to a New Hampshire landscaper for \$34,000. An employee, Richard Kowalski, who was fired a few weeks after the incident, was subsequently accused of stealing the machinery and has been charged with first-degree larceny.

Incredibly, for several days after the equipment was taken, CRRA officials were oblivious to the fact that it was gone. It looks as if inventory control is not the Hartford-area garbage authority's long suit.

According to a story first reported by The Courant's Jon Lender, the stolen equipment included a nearly new \$29,000 Bobcat S205 Skid-Steer loader, purchased in May 2009 by the CRRA, along with related equipment: an \$8,100 backhoe attachment, a \$3,200 auger drive unit and a \$4,700 pallet fork attachment.

The trash agency found out that the equipment was missing only because the landscaper who bought it gave its serial number to a Bobcat company representative. The company traced the serial number; realized the equipment had been sold to CRRA only six months earlier, and contacted the trash agency. CRRA President Thomas Kirk then called the police.

The equipment was recovered, but the story is disturbing nonetheless for CRRA's lax oversight. Who's minding the shed?

Other government and quasi-public agencies should take heed.

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Indexing (details)

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* TRASH AGENCY APPARENTLY ISN'T KEEPING A CLOSE

Auditors rap CRRA over late reports

By Don Michak

Journal Inquirer

The state trash authority failed to comply with Connecticut statutes by waiting between three and 12 months to alert authorities about "incidents" involving its handling of funds or resources and by not posting several reports for public viewing on the Internet, the state auditors say in a new report.

In their latest review of the Connecticut Resources Recovery Authority, the auditors said all quasi-public agencies, including CRRA, are required to promptly notify them and the state comptroller of any unauthorized, illegal, irregular, or unsafe handling or expenditure of funds or breakdowns in the safekeeping of resources.

But they said that in five of the seven such "incidents" they discovered in examining the CRRA's records for the 2007 fiscal year, it took between 107 and 352 days for the agency to make the required disclosures.

The auditors said those matters involved a total of just over \$6 million, including \$3.9 million for "system expenses" that had not been transferred by the agency's bank/trustee and \$1 million that had been credited to the incorrect account.

The auditors rapped the agency not only for its delay in making the required reports — writing that "the definition 'promptly' is not 100 to 350 days" — but also for failing to follow its own procedure, which states that agency management shall meet on a monthly

basis to determine whether activities are reportable.

CRRA officials responded that they had enacted "a definitive procedure for notifying state agencies when a circumstance may arise," and that it could take some time to develop a meaningful filing, according to the auditors.

Agency officials also said they disagreed with the auditors' take on the statute and that reporting on a monthly basis may not be prompt.

The CRRA also told the auditors that its failure to post reports to the Internet in some cases resulted from an administrative oversight due to changes in personnel and their responsibilities.

Elsewhere in their review, the auditors said the CRRA needed to separate staff duties involving billing and collection to ensure proper internal control over revenue and questioned its designation of "unrestricted net assets" that resulted in a deficit for the agency's Bridgeport and Mid-Connecticut trash-to-energy projects.

The auditors characterized both of those matters as "significant deficiencies in internal control over financial operations and compliance with requirements."

The CRRA in 2006-07 had total operating revenues of \$180.5 million and total operating expenses of \$206.3 million, ending the period with an operating loss of \$25.8 million and a net income loss of \$12.5 million, according to the report.